

24 February 2023

Subject: Management Discussion and Analysis for the year 2022

To President
The Stock Exchange of Thailand

Quality Houses Public Company Limited and its subsidiaries (“The Company”) would like to report its operating results for the year 2022 and 2021 with the detail as follows:

I Operating revenue breakdown by business segment

	(Unit: Million Baht)			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Revenue from sales of real estate	8,227	7,502	725	10
Revenue from hotel operations	717	314	403	128
Revenue from office rental operations	282	303	(21)	(7)
Other income	219	232	(13)	(6)
Total revenues	<u>9,445</u>	<u>8,351</u>	<u>1,094</u>	13

In summary, the Company generated total revenues for the year 2022 and 2021 at Baht 9,445 million and Baht 8,351 million respectively, increasing by Baht 1,094 million or 13% increase compared to 2021. Details are as follows:

1. **Revenue from sales of real estate** for year 2022 increased by Baht 725 million or 10% increase compared to 2021. This was due to the increase in revenue from housing projects increased by Baht 472 million or 7% increase and revenue from condominium projects by Baht 253 million or 49% increase compared to 2021.

In 2022, the Company launched 4 new projects with value of Baht 7,598 million and closed 10 sold-out housing projects and 2 sold-out condominium projects.

2. **Revenue from hotel operations** for the year 2022 increased by Baht 403 million or 128% increase compared to 2021. This was due to the Thai Government has eased travel restriction since the second quarter and the improvement in many countries’ Covid-19 situations combined with the forthcoming travel season which led to the increase in Thai and international tourists compared to 2021.

3. **Revenue from office rental operations** for the year 2022 decreased by Baht 21 million or 7% decrease compared to 2021. This resulted from the stop operating of a rental building due to the expiration of the land leasing contract during the fourth quarter of 2022.

4. Other income for the year 2022 decreased by Baht 13 million or 6% decrease compared to the 2021.

II Operating cost breakdown by business segment

(Unit: Million Baht)

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Cost from sales of real estate	5,490	5,226	264	5
Cost from hotel operations	496	369	127	34
Cost from office rental operations	111	107	4	4
Total costs	<u>6,097</u>	<u>5,702</u>	<u>395</u>	<u>7</u>

The Company's total costs for the year 2022 increased by Baht 395 million or 7% increase compared to 2021. This was due to cost from sales of real estate increased by Baht 264 million or 5% increase and cost of hotel operations increased by Baht 127 million or 34% increase which was in line with the increase of revenues.

III Share of profit from investments in associates

In 2022, the Company's share of profit from investments in associates was Baht 1,586 million, which increased by Baht 204 million or 15% increase compared to 2021. Details of the Company's share of profit from 4 associate companies are as follows:

(Unit: Million Baht)

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Home Product Center Plc.	1,235	1,081	154	14
LH Financial Group Plc.	217	170	47	28
Quality Houses Leasehold Property Fund	120	148	(28)	(19)
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	14	(17)	31	182
Total	<u>1,586</u>	<u>1,382</u>	<u>204</u>	<u>15</u>

IV Interest income

	(Unit: Million Baht)			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Interest income	4	4	-	-

In 2022, the Company's interest income was stable compared to 2021.

V Expenses

	(Unit: Million Baht)			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Selling expenses	494	390	104	27
Administrative expenses	1,501	1,425	76	5
Finance cost	259	330	(71)	(22)
Income tax expenses	288	220	68	31

1. Selling expenses for the year 2022 increased by Baht 104 million or 27% increase compared to 2021, mainly due to the increase of commission expense which was in line with the increase of revenue from hotel operations together with the increase of specific business tax expenses and transfer fees which was in line with the increase of revenue from real estate.

2. Administrative expenses for the year 2022 increased by Baht 76 million or 5% increase compared to 2021, mainly due to the increase of property tax.

3. Finance cost for the year 2022, consisting of interest expenses, bank fees and financial advisory fees, decreased by Baht 71 million or 22% decrease compared to 2021 due to the decrease of average loans during the year.

4. Income tax expenses for the year 2022 increased by Baht 68 million or 31% increase compared to 2021 which was in line with the increase of revenue (excluding share of profit from investments in associates).

VI Net Profit

	(Unit: Million Baht)			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Net Profit	2,396	1,670	726	43

The Company's net profit for the year 2022 increased by Baht 726 million, or 43% increase compared to 2021. This was mainly due to gross profit from sales of real estate increased by Baht 460 million, gross profit from hotel operations increased by Baht 276 million, share of profit from investments in associates increased by Baht 204 million and other income decreased by Baht 13 million. Meanwhile, selling and administrative expenses increased by Baht 180 million, income tax expenses increased by Baht 68 million and finance cost decreased by Baht 71 million.

VII Financial Position

			(Unit: Million Baht)	
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>Change</u>	<u>%</u>
Total assets	43,626	46,236	(2,610)	(6)
Total liabilities	15,793	19,251	(3,458)	(18)
Total shareholders' equity	27,833	26,985	848	3

- **Financial position**

As of 31 December 2022, the Company's total assets decreased by Baht 2,610 million or 6% decrease from the end of 2021 (as of 31 December 2021), mainly decrease from cash and cash equivalent of Baht 1,676 million, land and construction in progress as well as land and project development cost Baht 784 million and right-of-use assets of Baht 155 million. Moreover, total liabilities decreased by Baht 3,458 million or 18% decrease from the end of 2021 (as of 31 December 2021), due to repayment of unsecured debentures at amount of Baht 7,500 million and long term loan at amount of Baht 1,600 million. Additionally, during this period the Company issued debentures amount of Baht 3,000 million, borrowed a short-term loan from a finance institution amount of Baht 1,000 million and borrowed a long-term loan from a finance institution amount of Baht 1,500 million.

- **Shareholders' Equity**

As of 31 December 2022, total shareholders' equity of the Company increased by Baht 848 million or 3% increase from the end of 2021 (as of 31 December 2021). This was because the Company recognized net profit of Baht 2,396 million for the year 2022. Meanwhile, the Company paid the dividend of Baht 750 million in May 2022 in accordance with the resolution of the Annual General Meeting of 2022 held on 22 April 2022 and paid an interim dividend of Baht 429 million in September 2022 in accordance with the resolution of the Board of Directors' Meeting No.5/2022 dated 10 August 2022. Moreover, other components of shareholders' equity decreased by Baht 369 million from the share of other comprehensive income of associates.

Please be informed accordingly.

Sincerely yours,

(Miss Apinya Jarutrakulchai)
Senior Executive Vice President

Accounting and Finance Department

Tel: 0-2677-7000

Fax: 0-2677-7011-2